

Program A: Administrative

Program Authorization: R.S. 40:1299.44

PROGRAM DESCRIPTION

The mission of the Administrative Program of the Patients' Compensation Fund Oversight Board is to administer, manage, operate and defend the Patient's Compensation Fund (PCF) in a manner that will timely and efficiently meet the needs and interests of those groups for whom the PCF was created to serve --Louisiana health care providers, legitimate victims of medical malpractice and the citizens of the State of Louisiana.

The goal of the Administrative program of the Patient's Compensation Fund Oversight Board is to ensure the longevity of the Patient Compensation Fund by maintaining its financial stability. Ideally, such financial stability would balance the need for sufficient funds to adequately compensate victims of malpractice with surcharge rates that are kept at levels that are not excessive for healthcare providers.

The Administrative Program of the Patient's Compensation Fund Oversight Board consists of six activities: Rate Filing and Classification, Enrollment of Providers/Collection of Surcharges, Medical Review Panel, Claims, Defense, Administration/Accounting.

Rate Filing and Classification. Healthcare providers are classified based upon the malpractice risk associated with the particular specialty. The classifications are rated accordingly. In conjunction with a consulting actuary the Board annually evaluates the adequacy of surcharge rates and, when necessary, files for indicated rate increases with the Louisiana Rating Commission.

Enrollment of Providers/Collections of Surcharges. The Board is responsible for making sure that the effective date of a healthcare providers enrollment with the PCF coincides with payment of the applicable surcharge. Once it is determined that the healthcare provider qualifies and has paid the correct surcharge the Board prepares a Certificate of Enrollment to be kept on file. Additionally, for self-insured providers, the board must make sure the instrument establishing financial responsibility for \$125,000 is acceptable. Physicians and hospitals are subject to "experience rating" meaning that their surcharges may be subject to a debit of up to 50% based on prior claims payments. The PCF now has approximately 12,000 health care providers who annually enroll in the Fund. The number of providers who self-insure for the initial \$100,000 is continually increasing. Approximately 20% now self-insure. The Board employees must review all documentation to verify the correct surcharge has been submitted and then must post the information to the database. Thousands of surcharge adjustments are made throughout the year for employees of providers who are added or deleted, and for refunds when providers retire or decide to leave the Fund.

Medical Review Panel. Qualified healthcare providers are entitled to have a patient's complaint considered by a Medical Review Panel prior to the commencement of civil litigation. The patient files a complaint with the Board. The board has the responsibility of advising the patient if the named healthcare providers are indeed qualified. The Board must also advise all named healthcare providers that a complaint has been filed and whether or not the provider is enrolled in the PCF. The Board must further monitor the progress of the Medical Review Panel process and the ultimate disposition of each case. The Board is responsible for maintaining all relevant data pertaining to healthcare providers named in complaints, the outcome of the medical review panel process, the number of complaints filed per month, per year, etc.

Claims. The Board is responsible for monitoring all claims filed with the PCF from the time the initial complaint is filed until the claim is abandoned, dismissed, settled or proceeds through the courts for final judgement. The day to day claims functions have been contractually delegated to the Office of Risk Management. All through the claims process a case will be periodically reviewed and re-evaluated to determine whether the potential damages will impact the PCF's layer of coverage. When a determination is made that a case may exceed the \$125,000 primary coverage, the PCF must set appropriate reserves so that subsequent actuarial studies will have an accurate view of the total potential liability of the PCF.

Defense. The Board is also responsible for securing the services of legal counsel to advise and represent the Board and the PCF in proceeding relative to various aspects of the Medical Malpractice Act. The responsibility of assigning defense counsel to represent the PCF on individual medical malpractice claims is, by statute, conferred upon the Office of Risk Management.

Administration/Accounting. All information and data collected by or reported to the PCF, related to the administration, management, operation and defense of the PCF, shall be recorded and maintained by the Board. The Board shall be responsible for maintaining accounts and records for the PCF as may be necessary and appropriate to accurately reflect the financial condition of the PCF on a continuing basis. Most importantly, annual budget and appropriation requests must be prepared and should accurately reflect all surcharges projected to be collected by the PCF during the fiscal year, together with projected expenses for the administration, management operation and defense of the PCF and satisfaction of its liabilities and obligation.

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) To maintain an actuarially sound Patient's Compensation Fund by timely and correctly processing enrollment documentation and surcharge payments to achieve a goal of maintaining a fund balance equal to 50% of case reserves (\$125,000,000).

Strategic Link: This operational objective relates to the program's Strategic Objective I.1: *To maintain a Patient Compensation Fund surplus equal to at least 75% of case reserves by July 30, 2003.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of enrolled providers	Not applicable ¹	10,479	14,000	14,000	12,550	12,550
K	Amount of collected surcharges (in \$ millions)	Not applicable ¹	\$71	\$75	\$75	\$70	\$70
K	Fund balance (in \$ millions)	Not applicable ²	\$76	Not applicable ²	\$85 ²	\$125	\$125
S	Amount of case reserves (in \$ millions)	\$220	\$288	Not applicable ³	\$250 ³	\$250	\$250

¹ This was a new performance indicator for FY 1999-00. It did not appear under Act 19 of 1998 and does not have a FY 1998-99 performance standard.

² This is a new performance indicator for FY 2000-01. It did not appear under Act 19 of 1998 or Act 10 of 1999. It does not have performance standards for FY 1998-99 or FY 1999-00. The performance indicator value for existing performance standard is an estimate not a standard.

³ This performance indicator appeared under Act 19 of 1998 and has a FY 1998-99 performance standard. However, the indicator did not appear under Act 10 of 1999 and does not have a FY 1999-00 performance standard. The indicator value shown for existing performance standard is an estimate not a standard.

2. (KEY) To closely monitor all Medical Review Panel proceedings so that panels are formed promptly and decisions are rendered within the required two years of date the complaint was filed.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of Medical Review Panels closed and opinions rendered	Not applicable ¹	693	2,500	1,800	1,800	1,800
K	Number of requests for a Medical Review Panel	Not applicable ¹	1,757	2,000	1,800	1,800	1,800

¹ This was a new performance indicator in FY 1998-99. It did not appear under Act 19 of 1998 and does not have a FY 1998-99 performance standard.

3. (KEY) To properly and thoroughly investigate claims to evaluate the issues of liability and damages.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of claims evaluated	1,850	1,705	Not applicable ¹	1,000 ¹	1,000	1,000
K	Amount of claims paid (in \$ millions)	\$65	\$69	Not applicable ¹	\$75 ¹	\$75	\$75
S	Number of claims paid	165	184	Not applicable ¹	180 ¹	180	180
S	Average caseload per claims examiner (evaluator) ²	Not applicable ²	1,341	Not applicable ²	1,200 ³	1,000 ³	1,000 ³
S	Average caseload per claims adjuster	Not applicable ²	155	Not applicable ²	155 ³	150	150

¹ This performance indicator appeared under Act 19 of 1998 and has a FY 1998-99 performance standard. However, the indicator did not appear under Act 10 of 1999 and does not have a FY 1999-00 performance standard. The indicator value shown for existing performance standard is an estimate not a standard.

² This is a new performance indicator for FY 2000-01. It did not appear under Act 19 of 1998 or Act 10 of 1999. It does not have performance standards for FY 1998-99 or FY 1999-00. The performance indicator value for existing performance standard is an estimate not a standard.

³ The Executive Budget recommendation includes an additional claims examiner position. While this additional position will allow the Patient's Compensation Fund Oversight Board to make progress toward reaching a less voluminous workload, the caseload per examiner will continue to be double the industry standard (an average caseload per examiner of 500).

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	0	0	0	0	0	0
Statutory Dedications	1,234,612	1,350,176	1,538,976	1,580,125	1,579,238	40,262
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u>\$1,234,612</u>	<u>\$1,350,176</u>	<u>\$1,538,976</u>	<u>\$1,580,125</u>	<u>\$1,579,238</u>	<u>\$40,262</u>
EXPENDITURES & REQUEST:						
Salaries	\$550,961	\$761,135	\$833,926	\$869,167	\$860,644	\$26,718
Other Compensation	64,948	30,000	30,000	30,000	30,000	0
Related Benefits	103,903	153,329	163,538	168,383	175,262	11,724
Total Operating Expenses	165,606	154,170	186,470	192,967	197,329	10,859
Professional Services	204,836	168,082	231,582	236,214	231,582	0
Total Other Charges	2,553	39,777	39,777	35,607	36,634	(3,143)
Total Acq. & Major Repairs	141,805	43,683	53,683	47,787	47,787	(5,896)
TOTAL EXPENDITURES AND REQUEST	<u>\$1,234,612</u>	<u>\$1,350,176</u>	<u>\$1,538,976</u>	<u>\$1,580,125</u>	<u>\$1,579,238</u>	<u>\$40,262</u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	25	27	27	27	28	1
Unclassified	2	2	2	2	1	(1)
TOTAL	<u>27</u>	<u>29</u>	<u>29</u>	<u>29</u>	<u>29</u>	<u>0</u>

SOURCE OF FUNDING

This program is funded with Statutory Dedications from the Patient's Compensation Fund. This revenue is derived from surcharges paid by private health care providers enrolled in this program. (Per R.S. 39:32B. (8), see table below for a listing of expenditures out of each Statutory Dedicated Fund.)

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
Patient's Compensation Fund	\$1,234,612	\$1,350,176	\$1,538,976	\$1,580,125	\$1,579,238	\$40,262

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$1,350,176	29	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$188,800	0	Funding for unbudgeted salaries and related benefits due to Civil Services approved Special Entrance Rates, operating services for computer upgrades, and professional service increase due to attorney rates charges
\$0	\$1,538,976	29	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$20,170	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$19,916	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	\$9,161	0	Risk Management Adjustment
\$0	\$45,987	0	Acquisitions & Major Repairs
\$0	(\$53,683)	0	Non-Recurring Acquisitions & Major Repairs
\$0	(\$4,159)	0	Rent in State-Owned Buildings
\$0	(\$11)	0	UPS Fees
\$0	\$66,736	0	Salary Base Adjustment
\$0	(\$39,826)	0	Attrition Adjustment
\$0	(\$59,719)	(1)	Personnel Reductions
\$0	(\$6,372)	0	Salary Funding from Other Line Items
\$0	\$1,027	0	Civil Service Fees
\$0	(\$10,000)	0	Other Non-Recurring Adjustments for LANET one-time costs
\$0	\$1,800	0	Other Adjustments for ISIS Human Resources Statewide Assessment
\$0	\$3,600	0	Other Adjustments for software maintenance
\$0	\$25,283	1	Other Adjustments for Claims Examiner position
\$0	\$20,352	0	Other Adjustment for travel increase
\$0	\$1,579,238	29	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$1,579,238	29	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$1,579,238	29	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 102.6% of the existing operating budget. It represents 89.6% of the total request (\$1,760,905) for this program. The significant changes between total recommended and existing operating budget is due to the increase in funding for the Claims Examiner position and travel increase. The increase in positions is off-set by the elimination of one vacant Claims Manager position.

PROFESSIONAL SERVICES

\$49,900	Management Consulting for actuarial study done once a year to correctly generate a rate filing
\$181,682	Legal Services for services rendered on non-claims related legal matters
\$231,582	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$486	Network Services
\$486	SUB-TOTAL OTHER CHARGES
	Interagency Transfers:
\$3,820	Department of Civil Service and Office of Uniform Payroll System
\$27,267	Maintenance in State-owned Buildings
\$842	Office of Uniform Payroll System
\$4,219	Secretary of State for microfilming and archiving of records
\$36,148	SUB-TOTAL INTERAGENCY TRANSFERS
\$36,634	TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIRS

\$47,787 Replacement of office and computer equipment

\$47,787 TOTAL ACQUISITIONS AND MAJOR REPAIRS